

Australia's Resources in the World

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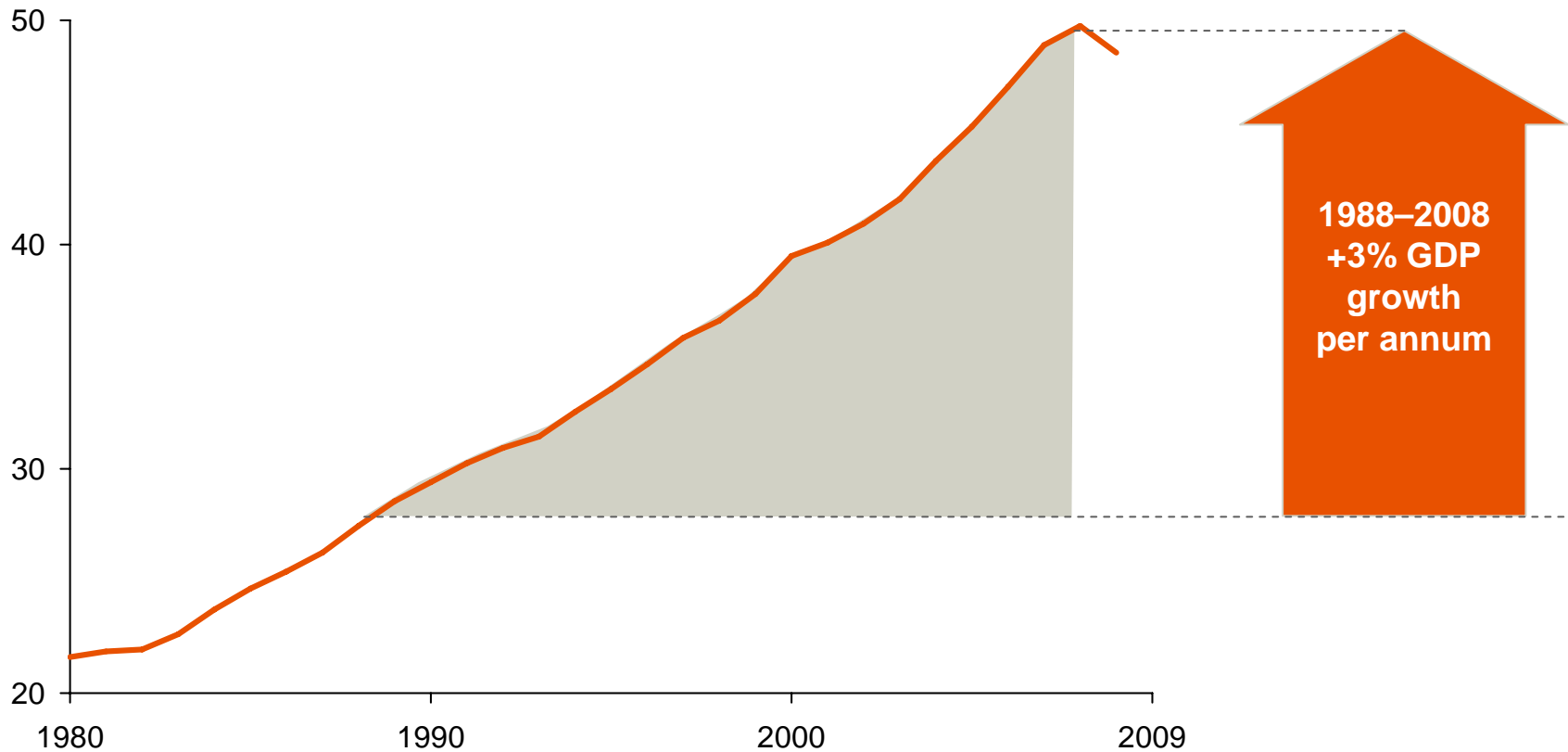
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The global economy has grown significantly over the past 20 years

Global GDP

US\$ Trillions, Real at 2005



SOURCE: IMF World Economic Outlook Database 2009.

Growth has been accompanied by a dramatic increase in living standards in lower income countries

World Bank Development Indicators Low and middle income nations

Child Immunisation¹
up 93%
from 1985 to 2007



Electric power consumption up 74%
from 1985 to 2006



Access to adequate water supply³ increased 17%
from 1990 to 2006



1 Percent of children immunised aged 12-23 months from 42% in 1985 to 81% in 2007.

2 As measured in Kilowatt hours (kWh) - 794 kWh in 1985 and 1,378 kWh in 2006.

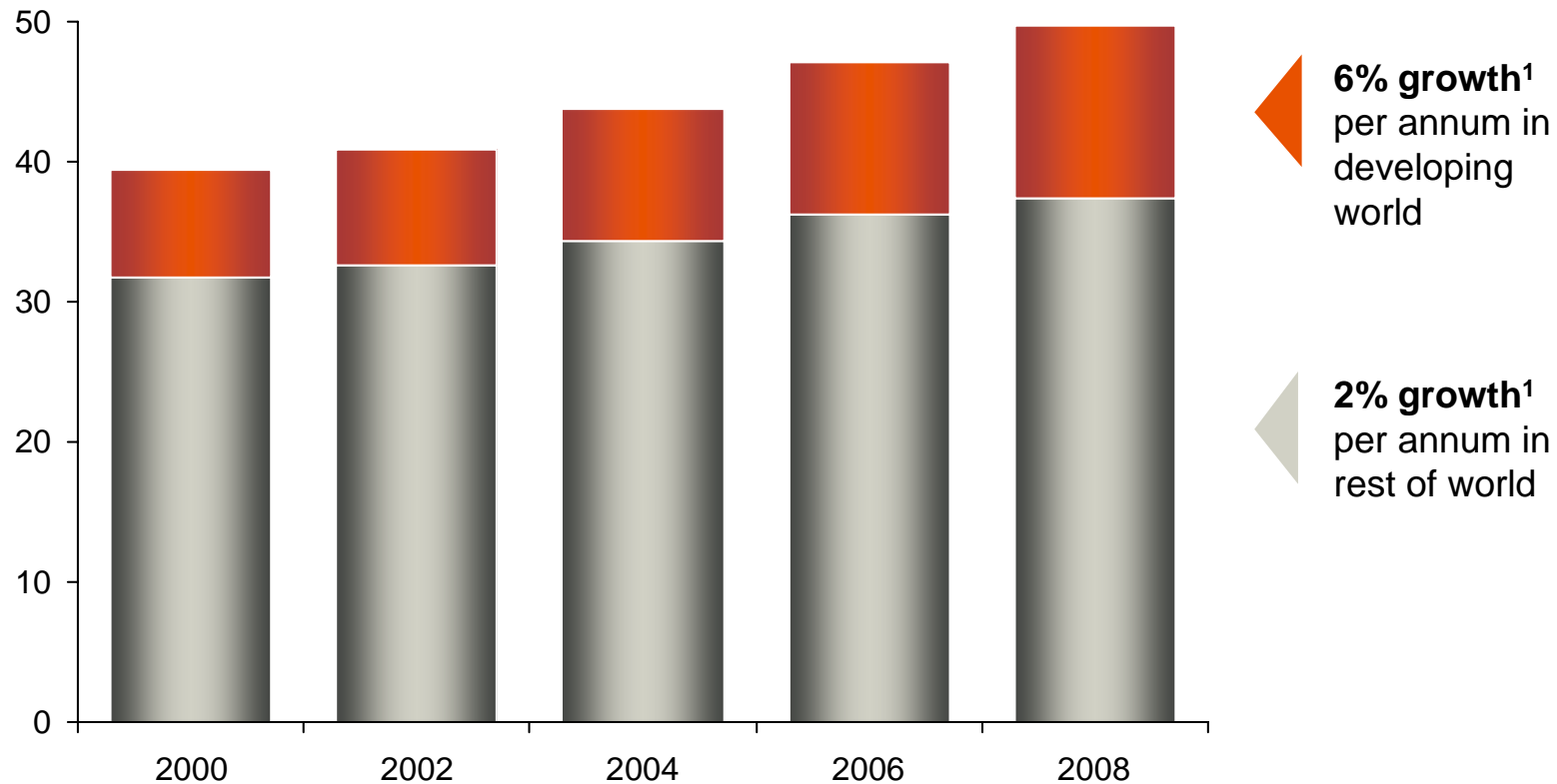
3 Percent of population with access to improved water supply – 72% in 1990 and 84% in 2006.

SOURCE: World Bank Development Indicators

Growth in the developing world has driven global growth

Global GDP


US\$ Trillions, Real at 2005



¹ Compound annual growth rate.
SOURCE: World Bank Development Indicators.

Australia has abundant natural resources

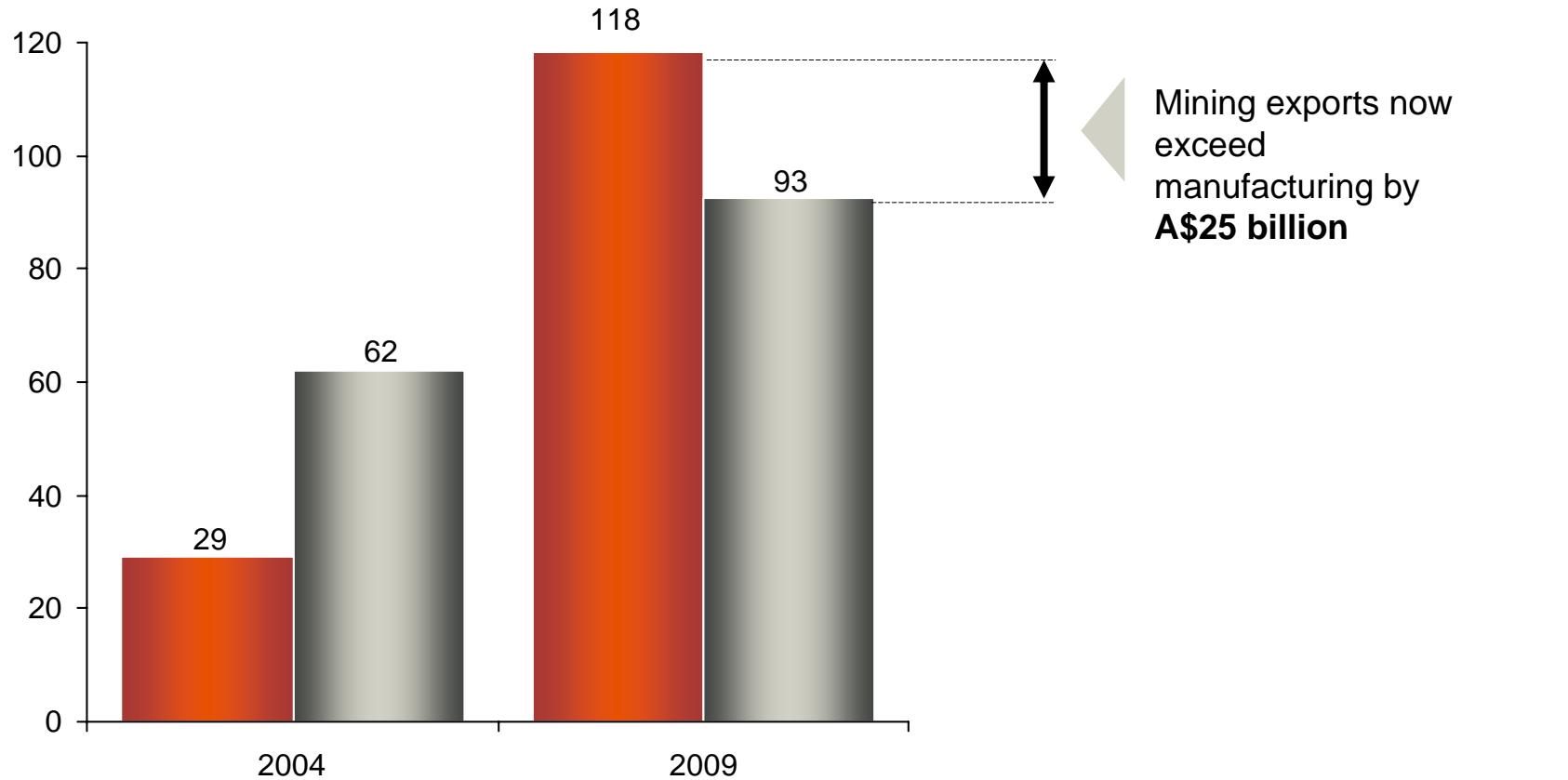
Australia's ranking of natural resource reserves by size

	Bauxite	1
	Uranium	1
	Nickel	1
	Gold	2
	Iron Ore	3
	Coal	6
	Manganese	7
	Oil and gas	20

SOURCE: OECD Economic Survey of Australia 2006, table 1.1; BP Statistical Review of World Energy 2009.

The natural resources sector is now our largest source of export revenues

Total export revenues¹ A\$ Billions



1 Free on-board value

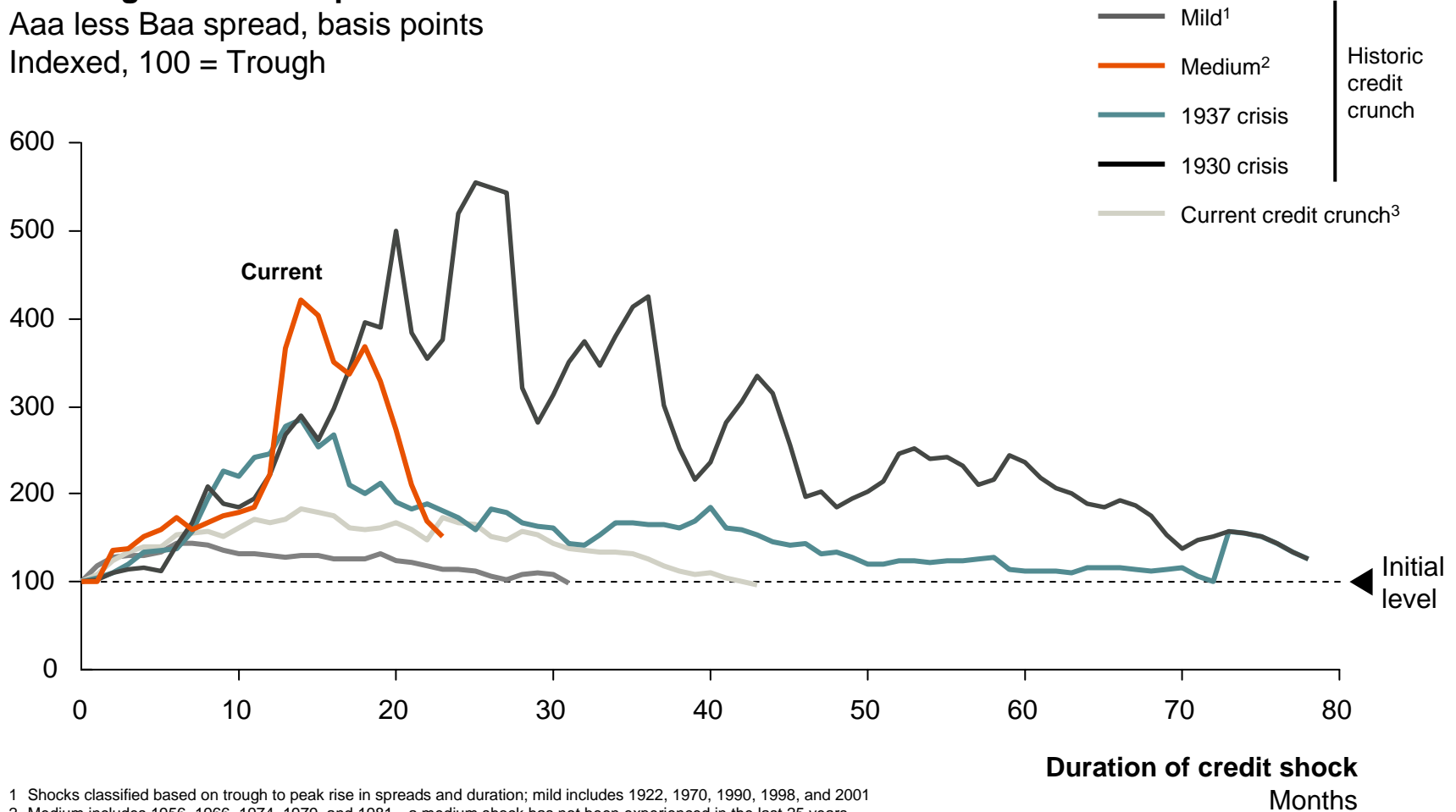
2 Includes oil and gas

SOURCE: Australian Bureau of Statistics; 8417.0 Mining Indicators (released Aug 2009); 8229.0 Manufacturing Indicators (released Aug 2009)

However, we may not be completely out of the woods yet...

Rise in global credit spreads

Aaa less Baa spread, basis points
Indexed, 100 = Trough



1 Shocks classified based on trough to peak rise in spreads and duration; mild includes 1922, 1970, 1990, 1998, and 2001

2 Medium includes 1956, 1966, 1974, 1979, and 1981—a medium shock has not been experienced in the last 25 years

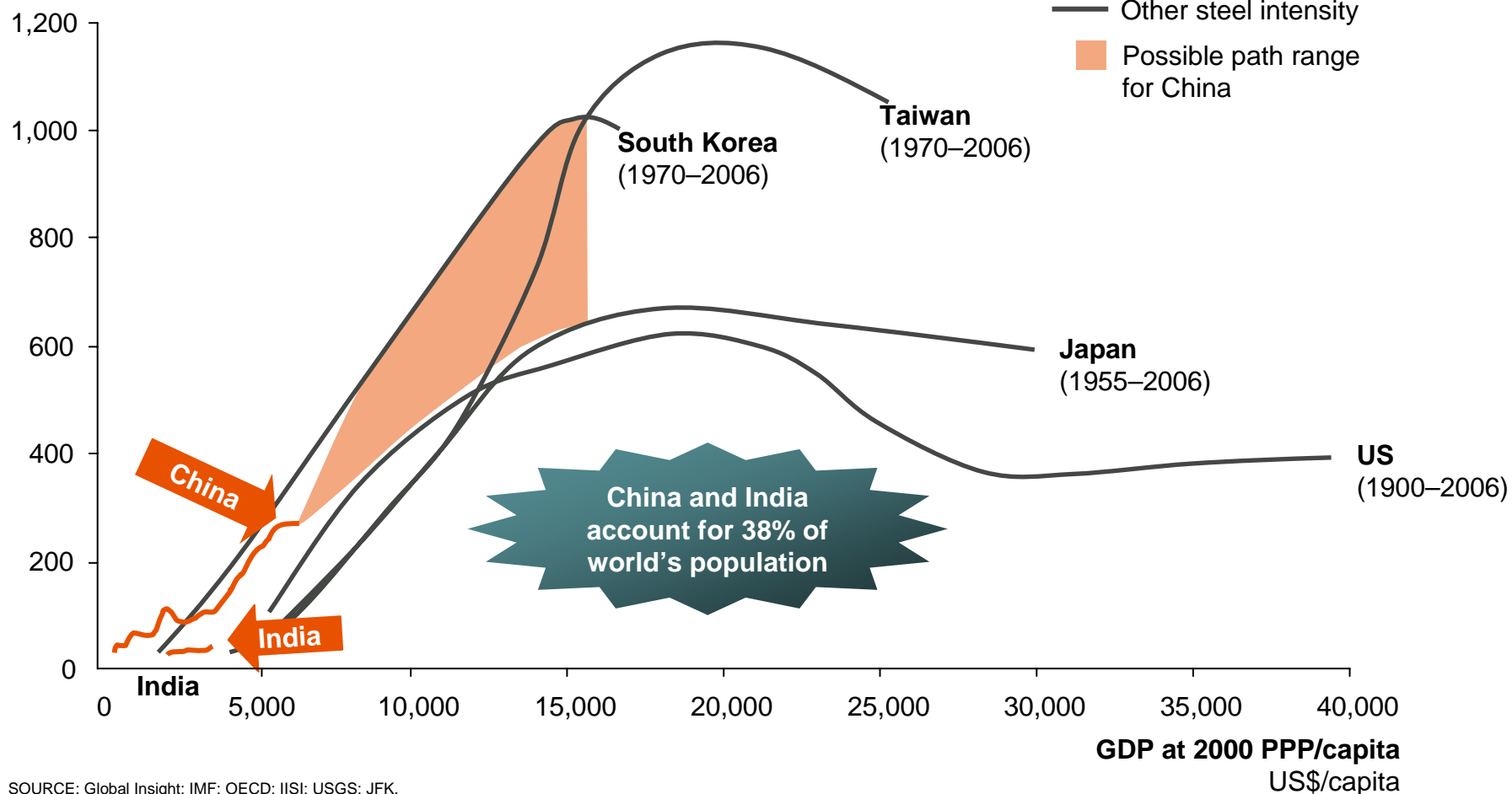
3 Today's credit shock began in October 2007 after credit spreads troughed at 82bp; last data is 1 September 2009 at 150.6

SOURCE: Moody's; Bloomberg.

Future demand for our minerals is assured

Crude steel intensity

Kg/capita



SOURCE: Global Insight; IMF; OECD; IISI; USGS; JFK.

Challenges to future growth

Global

- Growth of Asia's biggest nations
- A changing balance of power



Domestic

- Labour flexibility
- Scale



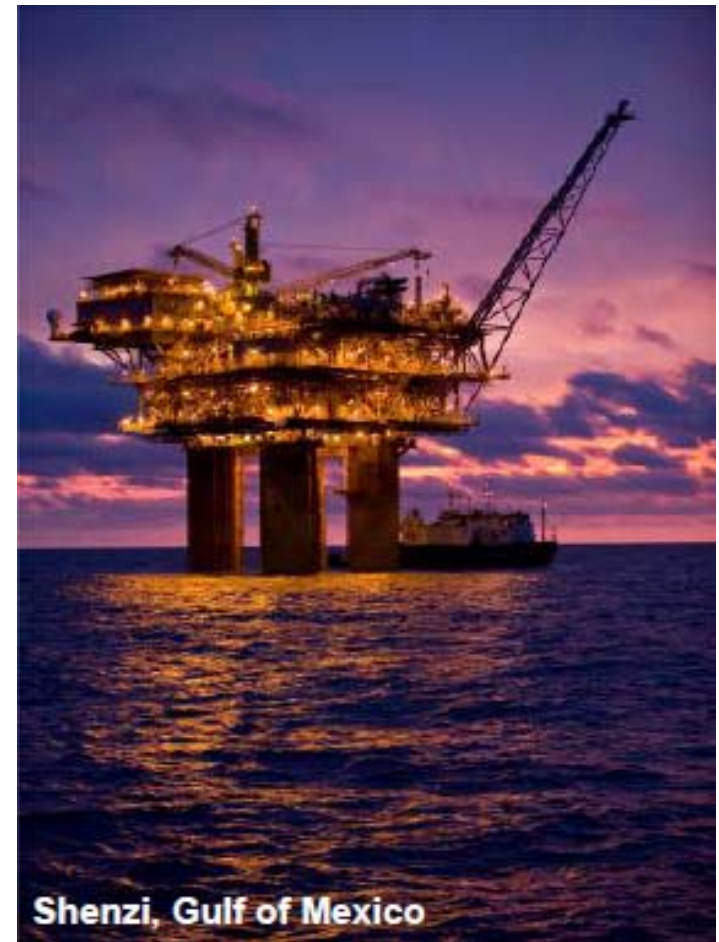
- Talent and labour are critical sector constraints:
 - Remote areas
 - Retirement of experienced workers
 - Aging population
 - Mix of graduates
- Talent gap will return with demand
- Must access the increasingly global talent market
- Need more training and incentives



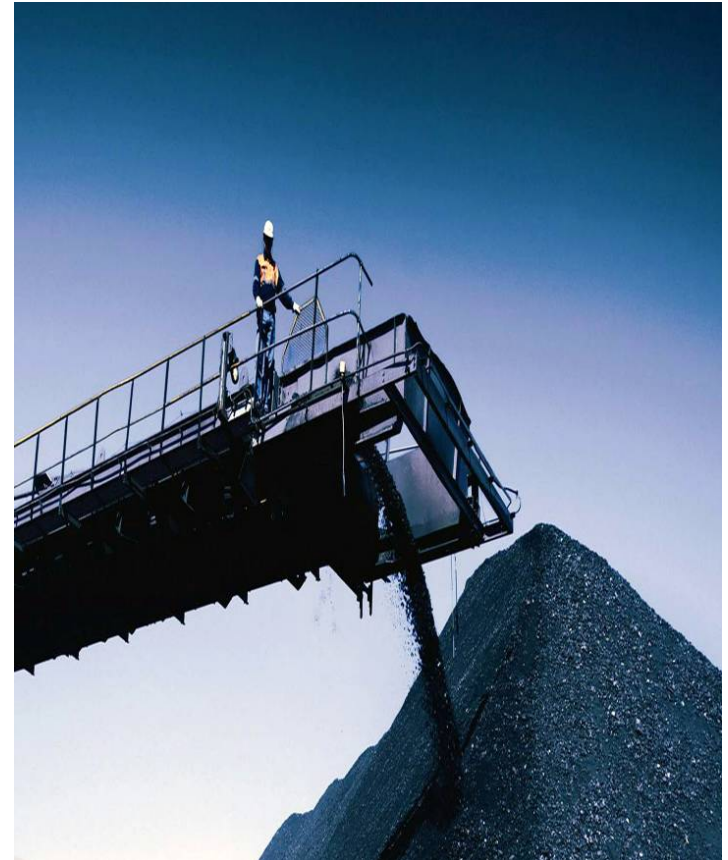
Iron Ore, Western Australia

- 'Scale is king' in the resources sector
- Scale is needed to develop assets to their full potential
 - Skill base
 - Financial strength
- Australia risks losing market share if it does not continue to build scale

...and to build this scale
requires funding



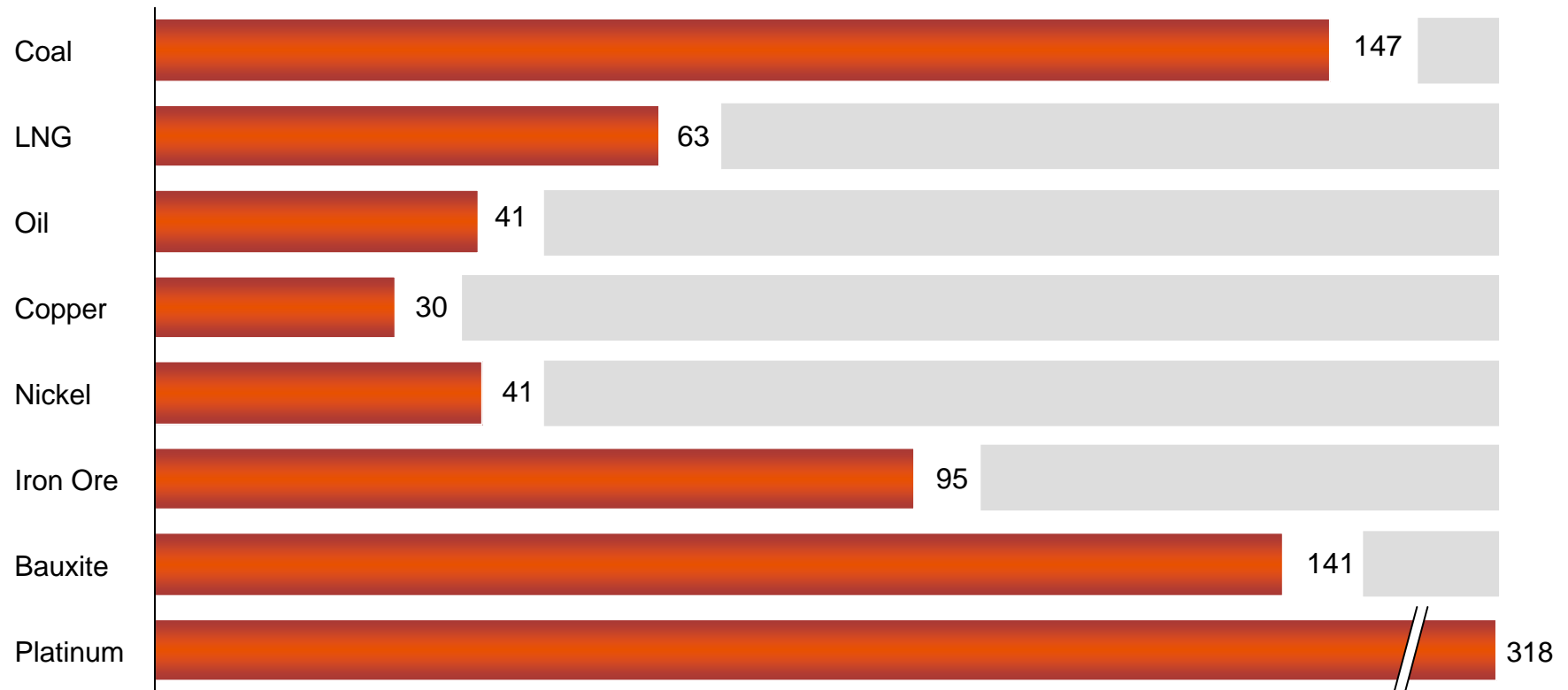
- 74 projects worth A\$80 billion
(in advanced planning stage in Australia)
- Limited capital sources to fund projects
 - Foreign banks more willing to loan
 - Stunted Australian bond market
 - Equity markets a short-term solution only
- No simple solution, but must involve:
 - Foreign Direct Investment
 - Long-term fiscal stability



Resource reserves are assured for decades

Known recoverable world resource reserves

Years remaining at current demand levels



Reserves will increase with demand due to investment in exploration

SOURCE: BP Statistical Review of World Energy; US Geological Survey; 'Rivals' Bill Emmott 2009

- Australia's resources have a vital place in the world
- Helping fuel the world's growth and development
- Contributing significantly to the Australian economy
- A great past and looking forward to a great future
- But we should not take this for granted
- Much rides on us getting this right - for both Australia and the World



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resourcing the future